

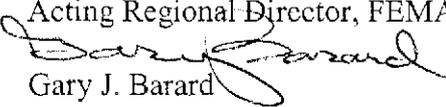


Homeland Security

June 30, 2004

MEMORANDUM

TO: Joseph F. Picciano
Acting Regional Director, FEMA Region II

FROM: 
Gary J. Barard
Field Office Director

SUBJECT: University of the Virgin Islands
FEMA Disaster No. 1067-DR-VI
Audit Report No. DA-30-04

The Office of Inspector General (OIG) audited public assistance funds awarded to the University of the Virgin Islands (UVI). The objective of the audit was to determine whether the UVI accounted for and expended FEMA funds according to federal regulations and FEMA guidelines.

The UVI received an award of \$4.4 million from the V.I. Office of Management and Budget (OMB), a FEMA grantee, for debris removal, emergency protective measures, and repairing and providing code upgrades to buildings damaged as a result of Hurricane Marilyn in September 1995. The award provided 90 percent FEMA funding for 18 large projects and 98 small projects.¹ The audit covered the period September 1995 to August 2002. During this period, the UVI claimed \$4,441,740 (see Exhibit) and received \$3,943,381 of FEMA funds.

The OIG performed the audit under the authority of the Inspector General Act of 1978, as amended, and according to generally accepted government auditing standards. The audit included tests of the UVI's accounting records, a judgmental sample of expenditures, and other auditing procedures considered necessary under the circumstances.

¹ According to FEMA regulations, a large project cost \$43,600 or more and a small project cost less than \$43,600.

RESULTS OF AUDIT

The Stafford Act prohibits the use of public assistance funds for damages covered by insurance. As such, grant recipients are responsible for pursuing commercially reasonable insurance recoveries and crediting FEMA projects with all applicable proceeds. However, the UVI's claim included \$1,818,638 of building repair cost (FEMA share - \$1,636,774) that was covered by insurance.

Specifically, the UVI received \$1,586,953 of FEMA funds under 11 projects for losses that were fully covered by insurance. The UVI received \$3.1 million of insurance proceeds and incurred project costs of \$2.2 million for these projects. Thus, insurance proceeds were more than sufficient to cover the costs of repairs, alleviating the need for FEMA funds. The affected projects are:

<u>Project No.</u>	<u>Project Costs</u>	<u>Insurance Proceeds</u>	<u>Amount Approved/Claimed</u>	<u>Questioned Costs</u>
85205	\$ 417,479	\$ 464,592	\$ 363,559	\$ 363,559
85212	851,437	1,130,760	977,198	977,198
85219	510,619	646,254	114,474	114,474
85202	114,525	184,400	26,737	26,737
85215	24,645	27,297	11,364	11,364
85218	33,307	122,515	7,106	7,106
85222	27,863	55,648	11,121	11,121
85224	35,056	44,394	7,865	7,865
85226	23,360	24,013	13,684	13,684
85234	24,681	26,211	12,289	12,289
85247	<u>158,102</u>	<u>394,285</u>	<u>41,556</u>	<u>41,556</u>
Total	<u>\$2,221,074</u>	<u>\$3,120,369</u>	<u>\$1,586,953</u>	<u>\$1,586,953</u>

The insurance proceeds of \$414,846 for three other projects covered only part of the \$1,170,767 repair costs. In this case, FEMA should have funded the short fall of \$755,921. However, the UVI claimed and received FEMA funds of \$987,606, or \$231,685 in excess of needs.

<u>Project No.</u>	<u>Project Costs</u>	<u>Insurance Proceeds</u>	<u>Costs not covered by Insurance</u>	<u>Amount Approved/Claimed</u>	<u>Questioned Costs</u>
85207	\$ 177,251	\$ 80,354	\$ 96,897	\$139,863	\$ 42,966
85235	122,104	56,758	65,346	66,754	1,408
85240	<u>871,412</u>	<u>277,734</u>	<u>593,678</u>	<u>780,989</u>	<u>187,311</u>
Total	<u>\$1,170,767</u>	<u>\$414,846</u>	<u>\$755,921</u>	<u>\$987,606</u>	<u>\$231,685</u>

In an attempt to determine the cause of the above conditions, the OIG discovered that FEMA's Caribbean Office sent an insurance expert to the UVI to review insurance matters and ensure that appropriate credits were applied to the various projects. However, the efforts of the insurance expert were not discernible, and there was no evidence that a review of insurance recoveries was done on a project by project basis. Moreover, the UVI based its claim on the amounts approved by FEMA without regard to actual insurance recoveries.

RECOMMENDATIONS

The OIG recommends that the Regional Director, in coordination with the OMB:

1. Disallow the \$1,818,638 of questioned costs, and
2. Verify insurance recoveries on a project by project basis and ensure that future FEMA grants are credited with the appropriate amounts.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

The results of the audit were discussed with FEMA, grantee, and UVI officials on June 8, 2004. UVI officials agreed with our findings, but indicated that their records may not reflect all costs for building repairs. They stated that they would research records for additional repair costs.

Please advise the Atlanta Field Office-Audit Division by September 30, 2004, of actions taken to implement our recommendations. Should you have questions concerning this report, please contact me at (770) 220-5242.

University of the Virgin Islands
Disaster No. 1067-DR-VI
Schedule of Claimed and Questioned Costs

Large Projects

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Claimed</u>	<u>Amount Questioned</u>
66813	\$ 79,056	\$ 79,056	\$ 0
38614	98,402	98,402	0
66686	500,000	500,000	0
85203	63,902	63,902	0
85205	363,559	363,559	363,559
85207	139,863	139,863	42,966
85212	977,198	977,198	977,198
85213	62,838	62,838	0
85219	114,474	114,474	114,474
85221	109,745	109,745	0
85223	76,305	76,305	0
85228	56,173	56,173	0
85235	66,754	66,754	1,408
85240	780,989	780,989	187,311
85249	159,530	159,530	0
84184	32,245	32,245	0
77651	4,428	4,428	0
58674	<u>42,003</u>	<u>42,003</u>	<u>0</u>
Sub-totals	\$3,727,464	\$3,727,464	\$1,686,916

Small Projects

85202	26,737	26,737	26,737
85215	11,364	11,364	11,364
85218	7,106	7,106	7,106
85222	11,121	11,121	11,121
85224	7,865	7,865	7,865
85226	13,684	13,684	13,684
85234	12,289	12,289	12,289
85247	41,556	41,556	41,556
All other			
Small projects	<u>582,696</u>	<u>582,554</u>	<u>0</u>
Sub-total	\$ <u>714,418</u>	\$ <u>714,276</u>	\$ <u>131,722</u>
Totals	<u>\$4,441,882</u>	<u>\$4,441,740</u>	<u>\$1,818,638</u>